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Seedlings in a Colombian coffee nursery.

Colombia's Coffee Export Earnings Falling Despite Crop Gains

While export earnings slide in response to weakened world coffee prices, Colombia is bringing in another record coffee harvest, estimated at 9.8 million 60-kilogram bags (588,000 metric tons) for 1977/78.

As a result, this world's second largest coffee producer will have plenty of coffee to export, should demand pick up or shortfalls develop elsewhere, and may add nearly a million bags to its coffee stockpile. But it is unlikely to match the $1.5 billion earned from coffee exports during 1976/77 and has only limited opportunities to shift into alternative crops should coffee prices decline further.

Like the other coffee exporters, Colombians also are watching developments in Brazil, where a frost 3 years ago this coming July damaged or destroyed large numbers of coffee trees, reducing the potential 1976 crop by about two-thirds and sparking an unprecedented upward spiral in prices.

According to Alfred R. Persi, U.S. Agricultural Attaché, Bogotá, Colombian coffee output in 1977/78 (October-September) may climb 5 percent from the previous record of 9.3 million bags in 1976/77. This expected gain reflects generally favorable weather in coffee areas, better farm management, and greater use of high-yielding varieties. High world prices in the past year also made it profitable to rehabilitate older trees that normally would have been taken out of production.

Legal exports from this large crop could total around 7 million bags in 1977/78, compared with 5.3 million last season. (Another 500,000 bags or so move out illegally each year.) But export returns may sink by around $500,000 to the $1-billion level if coffee prices continue weak.

So far, there has been little indication of material price strengthening, even though the International Coffee Organization's (ICO) composite prices for green coffee has fallen by more than 40 percent from its all-time high monthly average of $3.33 in April 1977. As of April 17, 1978, the spot price for Colombian Milds was $1.95, compared with $3.22 in April 1977, and the May-June shipment price is $1.85.

This sharp decline has come despite suspension of sales on several occasions by Brazil, Central America, and others in a bid to bolster prices. Obviously, consumer resistance to high prices, roasters' reluctance to build stocks at a time of falling prices, and recovering production in Brazil alongside large outturns elsewhere have had the greater impact.

"There was consumer resistance in the United States, as well as Europe,"

By Beverly Horsley, Associate Editor, *Foreign Agriculture*.

The boom is fading for Colombian coffee producers, whose bumper crops this year will not come close to fetching the record prices of 1977. One consolation: lower prices may boost demand and siphon off some of the mounting coffee stocks.

Clockwise from top left: A freeze-drying plant; bagging coffee for export; coffee growing under shade trees, as is traditional to Colombia; Carlos Van Cotthem, agricultural advisor to the Attaché's office, examining coffee seedlings; and Bill Bowser, FAS coffee analyst, checking coffee berry yields on a Colombian farm.

said Persi. "Coffee became an expensive commodity . . . wholesalers held back on their buying, and consumers held back as well."

Consequently, volume of Colombian coffee exports last season slipped nearly 1 million tons below the 6.3 million bags shipped in 1975/76, and stocks by the season's end had risen to 4.6 million bags—the highest level in 5 years. "With increased production, we're expecting another 800,000-bag stock increase to 5.4 million bags this year," said Persi.

"This is a good level for Colombia—stocks shouldn't go too low," Persi continued. However, it also is about equal to a season's exports and will thus allow increases in shipments should demand pick up. "Colombia has been conscious of its traditional customers and has not held back on exports, so if the demand is there, it wants to supply the market."

As far as price is concerned, Persi said that "Colombia would like to have prices stay near the $2-per-pound level, but the fear is that prices are going to slip further . . . they could go down to $1.50 per pound or lower."

Meanwhile, a wait-and-see mood prevails here and in other coffee exporting nations. Roasters—after having reduced roastings some 25 percent in the United States alone last year—are waiting for a bottoming out of prices before replenishing their inventories. Part of this hesitancy probably derives from the fact that coffee prices still are above past averages. For instance, the ICO composite price in April 1975, prior to the Brazilian frost, averaged only 59.53 cents per pound, and average monthly prices in the previous 10 years ranged from around 35 cents to 74 cents per pound.

The trade also is looking for further indications of the size of the Brazilian crop, which apparently has been somewhat affected by Brazil's recent drought. Currently, the 1977/78 Brazilian crop is estimated at 17 million bags, following a precipitous decline to 9.3 million last season as a result of the frost of 1975.

Even more important, however, is the weather in Brazil during the Southern Hemisphere winter, and July in particular, when frosts frequently occur. The fact that frosts have been hitting Brazil about every 3 years—and this is the third year since the frost of 1975—accentuates the interest in output of this No. 1 producer and exporter of coffee.

In Colombia, coffee's recent gains obviously have had an economic impact, contributing both to a 6 percent growth in the gross domestic product (GDP) last year and a 28 percent inflation rate.

Coffee is, after all, the mainstay of the Colombian economy. Last year, it made up nearly two-thirds of the country's total foreign exchange earnings. It also accounts for more than one-fourth of total farm production, 10 percent of the GDP, and 10 percent of employment, which includes some 200,000 farmers engaged directly in coffee production.

And the indirect impact on related industries and spending power further magnifies coffee's role in the national economy.

Reaction to the coffee bonanza has been relatively cautious, nonetheless. "The Colombian Coffee Growers Federation has warned the farmers in the last 3 years that they should proceed cautiously in expansion," said Persi. "I would say that production has increased moderately so far in Colombia . . . they've reinvested the money in improving coffee farms—by applying more fertilizer, for instance—but are trying not to expand excessively."

He admitted, however, that Colombian coffee growers have few alternatives to this main crop, since most of it is grown by smallholders on the mountainside. Nearly two-thirds of the producers, in fact, have hold-

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FRANCE EXPECTS RECOVERY OF AGRICULTURAL OUTPUT

France, after 3 consecutive years of weather-damaged crops, looks forward this year to at least partial recovery of its agricultural economy.

However, because of France's commitments to combat inflation and avoid a resurgence of imports during the current period of economic uncertainty, the prospects at best are for only a moderate acceleration of overall growth.

Most forecasts are for overall economic expansion of 3-4 percent this year, with continuing high unemployment and only slow progress in bringing down the inflation rate.

France's agricultural imports in 1977 jumped by 34.6 percent—more than three times the rate for agricultural exports. Higher world prices for such commodities as soybeans, cocoa, and coffee contributed substantially to the increase.

Coffee imports in the first 11 months of 1977 were down 10 percent from the 1976 level, but value shot up by 107 percent during this period. Cocoa import volume remained stable for January-November, while value was about double that of the year-earlier period.

Soybean imports during January-November 1977 were a modest 4 percent larger than in the corresponding 1976 period, but value was up 40 percent. Higher prices boosted meal import costs in 1977 by 35 percent, although quantity decreased slightly in relation to the year-earlier period.

The fruit-and-vegetable trade balance was negatively affected by the 1976 drought until mid-1977, when it improved as a result of high levels of domestic production.

However, French potato exporters encountered difficulty in marketing the 1977 potato crop after a year of absence from the traditional foreign markets necessitated by the 1976 drought.

France's estimated citrus imports during 1977/78 are 80,000 tons of summer oranges (50,000 tons from the United States), 110,500 tons of lemons (23,500 tons from the United States), and 105,000 tons of grapefruit (35,000 tons from the United States).

Overall, the French vegetable trade deficit for 1977 was equal to about $440 million, 18 percent larger than in 1976. With total deciduous fruit output one-third below 1976's and 10 percent below 1975's, France's 1977 fruit imports rose 15.4 percent in volume and 42.6 percent in value.

No significant changes are expected in the grain sector this year. Corn area is somewhat larger than in the past 2 years, and winter barley and oats plantings were larger than last year's. If good growing and harvesting conditions prevail, France's total grain production could reach 40 million metric tons this year.

Grain imports are expected to total about 1 million tons, compared with 1.6 million tons in 1976/77 and 800,000 in 1975/76, while grain exports should be up this year to nearly 14 million tons, compared with 9.6 million in 1976/77 and 15.2 million in 1975/76.

After the sharp reduction in beef production during 1977, slaughter probably will be up marginally this year. Many believe beef output will not rise again until 1979, as herds are still being expanded this year.

Another increase—probably 1 to 2 percent—in pork production is forecast for this year, but the supply-demand gap continues to widen.

Egg production is expected to decline slightly this year, but poultry meat output should expand 3-4 percent following the slightly higher increments of the past 2 years.

Milk production appears likely to increase 2 percent in 1978, but the actual level of output will be directly related to the European Community's dairy programs, including the coresponsibility tax price incentives, and possible extension of herd reduction programs. Stocks accumulation may resume if exports are not as strong as 1977's. Cheese production is expected to rise, but output trends for butter and nonfat dry milk (NFDM) are less certain, and will reflect EC price and intervention policies.

France's oilseed and protein seed production situation this year is expected to be little changed from 1977's. Imports of soybeans in 1978 are expected to be about 800,000 tons (650,000 tons from the United States) and 1.6 million tons for soymeal (280,000 tons from the United States).

Production of compound feeds in 1977 was about 12-12.5 million tons. Slight increases in most livestock sections were offset by a decline of nearly 10 percent in cattle usage, which was abnormally high in 1976 because of the drought.

Cotton consumption in 1977/78 is forecast at 185,000 tons, but the outlook is extremely uncertain. A combination of weak textile demand at the retail level and import competition is expected to keep 1978/79 consumption below 190,000 tons. The outlook for U.S. cotton trade during the current season is for a possible 10-15 percent increase over the 1976/77 level of 14,000 tons.

Fertilizer sales were higher in 1977 than in 1976, principally because of the 3.1 percent gain at constant prices in average farm income. Although total fertilizer consumption in 1977 was 3-5 percent greater than in 1976, it is too early to say if consumption will continue to rise in 1978. French fertilizer plants are operating at only about 50 percent of capacity.

President Giscard d'Estaing has indicated the importance of agriculture in the French trade balance by referring to it as "France's petroleum." He proposes expanding French agricultural exports to help pay the country's petroleum import bill.

He also calls for new national farm legislation that would solve such problems as income parity between the farm sector and the rest of the country, easing farm real

estate burdens, and improving market structures.

The agricultural situation for France's major farm commodities follows:

The 1977 **soft-wheat** harvest of about 17.2 million tons was about 1.6 million tons above the 1976 level and 3 million tons above 1975's, allowing an export level of nearly 8 million tons in 1977/78, compared with 6.8 million tons in 1976/77.

Expansion of **feed-wheat** area, which accounts for 15-18 percent of total soft-wheat area, is advocated by the French Wheat Growers' Association. New genetical improvements are expected to stimulate feed-wheat development in response to the general European Community shortage of feedgrains and the ready acceptance of feed wheat by feed compounders.

More workable stocks of **Durum** are expected at the end of the crop year. Expansion of the high-yield Durtal variety resulted in an accumulation of surpluses starting in 1975, but the grain is not preferred by pasta manufacturers. Output of Durum in 1977 was estimated at 273,000 tons, compared with 814,000 tons in 1975 and 542,000 tons in 1976.

Winter **barley** varieties accounted for about 40 percent of 1977 seeded area, compared with 30 percent in 1976 and 20 percent in 1975—a trend likely to continue.

Corn yields were much better in 1977 than in other recent years with an estimated national average of 5.1 tons per hectare. A resumption of the upward trend in corn production may be in the offing.

Total output in 1977 was about 8.6 million tons from 1.6 million hectares, and exports should be back to 2 million tons or more. Corn imports, which reached a record high of 1.4 million tons in 1976/77, should total about 700,000 tons in 1977/78 because of domestic harvesting delays.

Corn producers are pleased by the prospect of a common intervention price for feed wheat, barley, and corn in the new EC grain-price scheme. However, they have requested EC action to hamper the entrance of manioc and similar substitutes into EC countries.

Total use of grains for animal feed in 1976/77 was more than 16 million tons—close to the 1975/76 level. But this level of usage corresponded to a 17.6 percent increase in use by feed compounders—about 7.7 million tons—while onfarm usage declined sharply. Farmers marketed as much of this grain as possible from their harvests, keeping stocks relatively low.

Total red meat production—including beef and veal, pork, mutton, goat meat, and horse meat—was about 3.4 million tons—equal to 1974 and 1975 levels but about 100,000 tons less than the record-high 1976 level.

Beef and **veal** output in 1977 is estimated at less than 1.7 million tons—significantly below the high levels of 1974, 1975, and 1976. Veal output was up 2.4 percent but beef production was down 8-9 percent as a 10 percent reduction in slaughter was only slightly offset by better carcass yields.

The deficit in French **pork** and live hog trade expanded to about $550 million, despite record high production of about 1.55 million tons. The Government is studying ways to encourage further expansion of pork production and thus try to catch up with rising domestic demand.

Poultry output in 1977 reached an estimated record of 903,000 tons—an increase of 4.4 percent over the 1976 total. Exports were up 22 percent, especially those to markets in the Middle East. Domestic demand for turkey was high at yearend 1977, resulting in soaring prices.

Egg production, at 12.7 billion units, was 1.6 percent below the 1976 level, and France became a net importer of eggs for the first time since 1973. Total egg consumption is on a slight upward trend.

Milk production in 1977 is estimated at more than 30 million tons, up about 3 percent from the 1976 level. **Cheese** output passed the 1-million-ton mark, reaching a new record. Production of butter and NFDM were practically unchanged from 1976 totals. Casein output shot up by close to 50 percent in response to export opportunities.

French exports of dairy products were very strong in 1977. Exports of cheese hit a new record and the French dairy trade surplus reached the equivalent of about $880 million. Exports of NFDM also were a record, but were either subsidized to destinations outside the EC or directed to the intervention agencies of other EC countries. Exports of butter were very high because of the sale of 49,000 tons to the USSR.

Sugarbeet production in 1977 rebounded from 3 successive poor years to 4,257,000 tons of sugar, with alcohol output at about 1,550,000 hectoliters.

Since France beet sugar consumption continued its downward trend in 1976/77 and is not expected to recover significantly in 1977/78, exports could total about 2.1-2.2 million tons.

France's monthly export availabilities to third countries (excluding EC countries) would total about 150,000 tons.

Rapeseed yields in 1977 were the poorest in the past 20 years because of frost damage at Easter and excessive rainfall during the summer. The harvest is estimated at around 385,000 tons, 28 percent below the 1976 level and 37 percent under the 1971-76 average of 615,000 tons.

Sunflower plantings declined, despite a 7 percent price increase. Total output was about 70,000-75,000 tons.

Soybean plantings continued to decline in significance. The harvest amounted to about 1,500 tons from 1,300 hectares. However, the Government is now considering plans for progressive reduction in imports of soybeans and other oilseeds. Plantings in 1978 are not expected to recover from year-earlier levels.

Tobacco production in 1977 was severely damaged by excess humidity. With flooding and mildew in some areas, the crop totaled only 53,200 tons, down 13.7 percent from the 1976 level.

However, a 1.6 percent increase in area continued the upward trend of recent years in response to higher average returns per hectare for cigarette tobacco. □

Carib-USA Trade Show Draws HRI Buyers

Some 26 U.S. food exhibitors representing 40 companies took part in a 3-day drive to promote U.S. products to buyers from Puerto Rico, the Caribbean, and Central and South America at the Carib-USA Food Exhibit held April 15-17 at the Roberto Clemente Coliseum in San Juan, Puerto Rico.

Early estimates show the exhibit resulted in some $500,000 in floor sales and nearly $8 million in 12-month projected sales for the firms that participated in the show.

Sponsored by the Eastern U.S. Agricultural and Food Export Council (EUSAFEC) and the Southern United States Trade Association (SUSTA) in cooperation with the Foreign Agricultural Service, Carib-USA promoted U.S. products prepared and packaged for the grocery, hotel-restaurant, and institutional trade (HRI).

Some 32 States were represented at the show, which was part of an even larger exhibit—the 6th Food and Equipment Trade Exposition. This was the fourth year that EUSAFEC and the third year that SUSTA participated in the 300-exhibitor, trade-only show that promotes not only food, but equipment and marketing services in the Caribbean area.

U.S. food products displayed ranged from chilled vichyssoise and gazpacho soup from New York to beef and buffalo jerky from Montana and Wyoming.

Carib-USA also exhibited canned vegetables and soups, frozen and chilled poultry and poultry products, smoked meats, shell eggs, animal feed, fertilizer, beans, rice, pickled pork and beef products, industrial and institutional meals, and snack items.

Other popular items included canned and powdered beverages and bases, honey, honey taffy, pet food, and breakfast cereals.

Many of the food companies exhibiting at Carib-USA were looking for a distributor in the Caribbean region—someone to handle and sell their products to this market that imports over 90 percent of their food needs.

Snack items and foods geared toward the hotel-restaurant trade do extremely well in the Caribbean area where tourism plays a big part in the economy of many of the islands.

In fiscal 1977, the United States exported $431 million worth of agricultural products to the Caribbean area. Top export items to this region were animals and animal products, poultry and poultry products, vegetables, wheat and wheat products, and oilseeds and products.

According to Russ Caponetto, executive director of EUSAFEC, the Carib-USA Food Exhibit is an excellent show for new-to-export firms. EUSAFEC encourages companies to participate in this Puerto Rican show for several reasons:

- Transportation arrangements are relatively easy;

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By Lynn Krawczyk, staff writer, *Foreign Agriculture*.

Top, a visitor to the Carib-USA food show samples smoked sausage from Virginia; Left, Wanda Brown (left), Ag-World Exports, Illinois, advises a visitor on how to prepare some of the canned vegetables and salads exhibited in her booth.

Exhibitor Comments From Carib-USA

Russ Caponetto, executive director, Eastern U.S. Agricultural and Food Export Council (EUSAFEC), New York:

"Right from the opening day we've had considerable interest (in the show) . . . not only from local buyers but buyers from Central and South America and other Caribbean islands."

Joe Lundberg, marketing director, Montana Department of Agriculture:

"We've made a number of contacts with major supermarket chains in Puerto Rico and the Virgin Islands . . . the prospects of sales of other products from Montana and other States we represent is also good."

Roy Copelan, international marketing specialist, South Carolina Department of Agriculture:

"South Carolina is devoted to this show . . . we can see the growth through our sales in the Caribbean area —each year the show gets bigger and better."

Annamaria Lepore, executive vice-president, Ferrara Foods, New York:

"My reaction to Carib-USA has been most positive . . . the show has done such a good job and buyer reaction to our soup line has been very good."

J. E. Sullivan, J. T. Gibbons, Intl., Louisiana:

"We're very excited about the whole show, we've made a lot of excellent customers, and the show has opened up a new avenue for us to market our products." □

Modern Techniques Aid Spanish Citrus Industry

By Roy E. McDonald and Anton J. Bongers

Continuing its series on major citrus producers in the Mediterranean and South Africa, *Foreign Agriculture* this week looks at Spain—whose strong research programs and association with the EC have made it the world's largest exporter of fresh oranges and mandarins and a major competitor in the European market.

Spain—the world's largest exporter of fresh oranges and mandarins and a major supplier of lemons—ranks as a leading U.S. competitor in European citrus markets.

One reason for this strong position is the fact that Spain, as an Associate Member of the European Community, pays only 40 percent of the EC import duty on fresh citrus. Another factor is the overall efficiency of Spain's citrus industry, which is able to deliver high-quality, low-priced products to its European neighbors.

Strong research programs have contributed to this efficiency. Basic agricultural research is done by the universities of Spain, while applied research is conducted in 11 regional laboratories. Not surprisingly, much of the latter research is done in Valencia—Spain's main citrus area.

Areas of research include modified-atmosphere storage, fungicides, waxes, degreening, essential oils, freezing preservation, and Satsuma processing.

One apparently weak area is in commercial degreening procedures, which are rather outdated; losses through improper degreening amount to $16 million annually—surprising for the world's largest exporter of two types of citrus. Degreening is practiced during October-January, primarily with mandarins and—to a lesser extent—with lemons and navel oranges.

The industry is moving toward ethylene gas degreening; however, the proper or recommended concentration of this gas has not been resolved. In Spain, the industry generally uses 700 parts per million (ppm), compared with a maximum of 4-10 ppm and a usual 1-5 ppm in the United States.

The major postharvest diseases are blue mold, green mold, gray mold, Alternaria, and Diplodia. Fungicides are not used in the early part of the season because the fruit is marketed quickly. Later in the season—depending on climatic conditions—SOPP, 2-amino-butane, TBZ, and benomyl are used to deter decay.

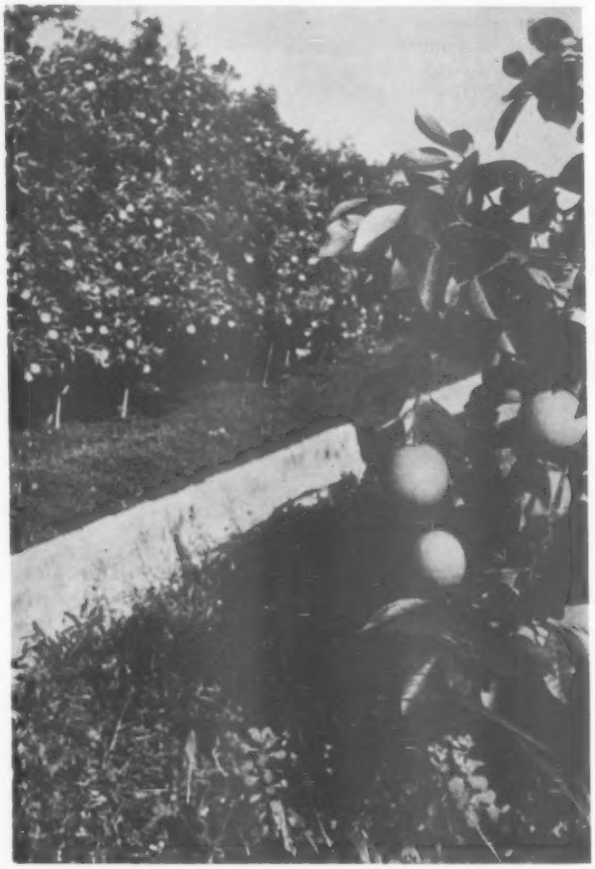
Most fungicide applications are performed by dipping the fruit. If fungicides have not been applied previously, TBZ or benomyl incorporated into waxes is used. Placement of diphenyl pads in cartons is not practiced in Spain.

In a typical export packinghouse operation, oranges are harvested into field boxes and trucked to the packinghouse. The fruit is dipped in 1.0 percent benomyl and is stored at 2-4°C until the fruit is packed.

Fruit is not waxed prior to storage; apparently, the packers do not believe there is enough weight loss to warrant this procedure. Early in the season, the fruit is degreened. From storage, the fruit is dipped in SOPP, rinsed, and waxed with TBZ to leave a residue of 3 ppm. Some 80 percent of the packing is done in wooden crates, 20 percent in fiberboard containers.

One packinghouse's quality-control program begins when the fruit arrives at the packinghouse. A 2-percent fruit sample is taken from each truck as it arrives from the grove. So that the packinghouse knows what percentage of each class of fruit is on hand and to facilitate payments to producers, the fruit is sized and sorted into classes 1, 2, and culls.

As far as current production and trade are concerned, Spain is feeling the effects of a reduced 1977/78 orange crop (harvested October-June), which is expected to reduce orange exports this season to the lowest level in 10 years. However,



A Spanish citrus grove.

Dr. McDonald is a research horticulturalist and Mr. Bongers is an agricultural research specialist, Science and Education Administration, European Marketing Research Center, Rotterdam. Additional information provided by George J. Dietz, U.S. Agricultural Attaché, Madrid; and the Fruit and Vegetable Division, Foreign Commodity Analysis, FAS.

lemon and mandarin crops and exports are expected to reach record high levels.

Spain's Ministry of Agriculture has estimated the country's 1977/78 citrus production at 2.69 million metric tons—just about equal to last season's production. Late March 1977 frosts that hit blossoms in the Provinces of Valencia and Murcia were responsible for the reduction in the new crop, which at the time appeared to be substantially larger than the 1976/77 crop.

However, only sweet orange production is expected to be lower—down 8 percent to 1.656 million tons, the smallest crop since 1964/65. Of total orange output, navels will be down 9 percent to 1.069 million tons, while Valencias and Vernas will be 6 percent less at 214,000 tons. Blood orange production, which is projected at 102,000 tons, has declined gradually from the more than 500,000 tons produced annually during the early 1960's.

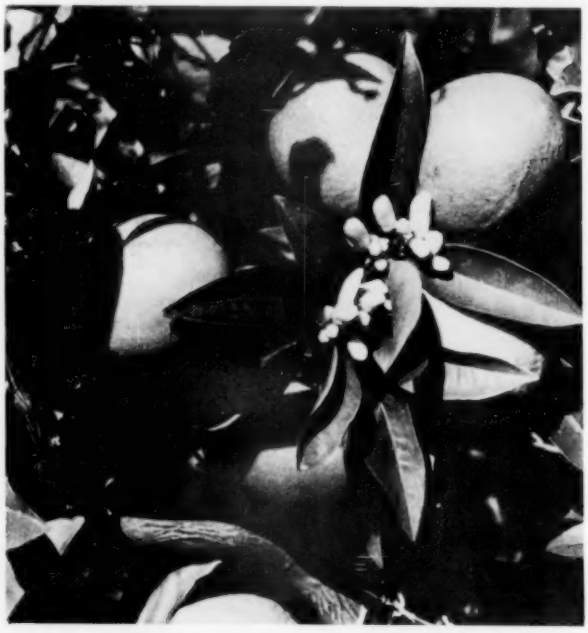
While 1977/78 orange output will be down, all other citrus fruit crops will show substantial increases over crops of last season.

The mandarin crop is expected to be 702,000 tons —up 6 percent over that of last season. Lemon output is forecast to be up 37 percent to 325,000 tons—a threefold increase in production since 1971/72. The new citrus crop had been maturing early with normal color and sizes. Some of the fruit, however, has been affected by hail and other adverse climatic conditions, and is considered to be noncommercial.

According to the Spanish Ministry of Agriculture, the revised estimate for the 1976/77 citrus crop is 2.685 million tons (oranges: 1.781 million tons; mandarins: 660,000 tons; lemons: 238,000 tons; and grapefruit: 7,300 tons). The total crop was nearly 8 percent below that of a year earlier.

The export quality of the 1976/77 crop was affected somewhat by hail, but sizes were normal. No major fruit damages occurred during the season, but as in past years, tristeza and white fly were the most important disease and insect problems.

As of mid-October, Spain's 1977/78 citrus exports were projected at 1.597 million tons. Because of the smaller crop, fresh orange exports were forecast at 870,000 tons—6 percent less than last season's. On the other hand, lemon and mandarin exports were projected to reach record high levels of 174,000 tons and 550,000 tons, respectively. European Community (EC) countries are expected to absorb the bulk of Spanish citrus shipments in the 1977/78 season.



Spanish citrus exports in 1976/77 totaled 1.617 million tons—only 4,363 tons more than in the preceding season. Of total exports, 950,146 tons were of oranges, 512,852 tons were of mandarins, 150,048 tons were of lemons, and 3,567 tons were of grapefruit.

Exports of Clementines, navels, blood oranges, and Vernas were down in the 1976/77 season. Exporters of these types of citrus suffered from competition from other Mediterranean country suppliers, from the economic recession in the EC, and from sharply higher production costs.

An estimated 1.440 million tons—or 89 percent of total citrus exports in 1976/77—where shipped to the EC, compared with 1.467 tons in 1975/76. Spain enjoys a 40-percent customs preference from the EC.

France and West Germany took 1.050 million tons of Spanish citrus—nearly 65 percent of Spain's total shipment. Citrus exports to East European countries totaled an estimated 83,047 tons, compared with 72,489 tons in 1975/76.

It is estimated that Spain's Citrus Coordinating Committee will spend at least $2.4 million to promote citrus exports in 1977/78.

Based on mid-October export and processed fruit projections, Spain's domestic fresh fruit market likely will consume 740,000 tons of citrus during 1977/78. This is a decrease of 6.3 percent from last year's level and primarily is the result of the reduced orange production, coupled with an expected rise in citrus fruit processing.

Processing probably will account for about 315,000 tons of Spain's citrus production in 1977/78, a gain of 16 percent from the level of 1976/77. Processing capacity continued to be about 400,000 tons—unchanged from the past few seasons.

Processed citrus output in 1976/77 was estimated at 50,000 tons of fruit juice (both single-strength and concentrated), of which about two-thirds was orange juice; 49,310 tons of citrus fruit sections, of which about 97 percent was of Satsuma sections in syrup, and approximately 154 tons of essential oils.

Trade sources indicate that prices for citrus for processing are likely to be 25-35 percent higher in 1977/78 than those of last season as a result of higher fruit prices and input costs. The Government may subsidize the fruit in order to partially offset the expected increase. The Government subsidized fresh fruit purchases for processing in 1976/77.

Hot-pack products continue to constitute the backbone of the local processed citrus industry, with only token production of frozen and/or freeze-dried products. Sweetened products continue to represent the bulk of Spain's juice pack.

West Germany, the United Kingdom, and France were the major outlets for Spanish citrus products in the 1976/77 season. □

Brazil Has Short Wheat Crop; To Boost Imports

By James A. Truran

Brazil is the largest importer of U.S. wheat in the Western Hemisphere and its U.S. purchases in 1978 may reach 3 million tons. That country's imports generally hinge on the size of the domestic crop, and 1977 output was a disappointing 2 million tons.

Brazil, traditionally the largest importer of U.S. wheat in the Western Hemisphere, will follow the pattern of past years and enter the international grain market in a big way in 1978, largely because of its disappointing 1977 harvest. The United States will be a major source of these imports.

Brazil's total wheat imports in calendar 1978 may range as high as 4.5 million tons, valued at nearly $540 million—up from 2.8 million tons, valued at about $300 million in 1977. Its imports of U.S. wheat may reach a new peak of at least 3 million tons, two-thirds of Brazil's import requirements.

In the first half of 1978, Brazil had purchased U.S. wheat for delivery in the first 5 months of 1978 equal to the 1.8-million-ton import record set in 1975.

But the high level of purchases of U.S. wheat in 1978 can be taken as no trend setter, since in the past Brazil's imports of U.S. wheat have fluctuated widely. For example, they dropped as low as 445,000 tons in 1972.

Brazil generally imports hard wheats to blend with its semisoft varieties. But in years of severe domestic shortfalls, Brazil also has imported soft wheats. The Brazilian Wheat Board makes its purchases based primarily on price, using No. 2 Hard Red Winter wheat, 11 percent protein, as the minimum quality.

In general, the ups and downs of Brazil's wheat imports have been in response to the erratic course taken by Brazil's wheat production and rises in its consumption. In recent years, outturn has fluctuated between 1.6 million tons in 1975 and 3 million in 1976, but the 1977 crop (harvested October-December)—was a disappointing 2 million tons, despite earlier high hopes. This was one-third less than the 1976 production record and far short of the volume needed to meet expected consumption requirements in 1978 of nearly 6.5 million tons.

Brazilian wheat consumption has grown rapidly in the past, in some years by as much as 15 percent. But in spite of the country's overall consumption growth rate, there are wide regional disparities.

In the traditional wheat producing/consuming states of southern Brazil, per capita consumption of wheat-based foods has for a long time been above the national level of 45 kilograms per year.

In the more densely populated northeastern region—where nearly 30 percent of the country's population lives—per capita consumption is considerably lower. But it is likely that as the economy of the northeast strengthens, partly because of improvements in incomes and education, and as migrants from farm to city become attuned to urban diets, the present switch to wheat products from traditional rice, corn, bean, and manioc foods will pick up impetus.

Price is an important stimulus in the switch to wheat products. Consumers benefit from a substantial Government subsidy that keeps wheat flour prices relatively lower than those of substitute foods. Millers throughout the country purchase wheat from the Government at a fixed price of Cr$1,202 per ton (US$73).

After the flour is milled, prices are set at Cr$100 per 50-kilogram sack of so-called common flour used primarily for bread and Cr$130 per sack for "special" flour used for pasta and pastries.

The current mill price was set at the beginning of 1977, and represents a hefty increase over the previous fixed price. The consumer subsidy was scheduled to be phased out in 1977, but was retained by the Government as part of its anti-inflation program.

Brazil's domestic wheat flour pricing policies are formulated within SUNAB, the Food Supply Agency, by a Brazilian Wheat Board—the Junta Deliberativa do Trigo. Wheat is imported by the Board in coordination with CACEX, the foreign trade office of the Bank of Brazil, and SUNAB allocates annual wheat quotas to the country's 210 privately owned flour mills.

Various proposals have been made in recent years to slow the growth of wheat consumption by mixing wheat flour with other types, particularly soy flour. Beginning April 1, 1977, millers were to have started this procedure; however, logistical and financial problems have made its implementation impossible.

For example, there was not sufficient installed milling capacity to produce soy flour in the quantities that would have been required. Distributing soy flour to the country's mills proved to be expensive and too difficult.

Mr. Truran is Assistant U.S. Agricultural Attaché, Brasília.

Then, too, soy flour is substantially more expensive than wheat flour, so there would have been little financial advantage for millers to use the admixture. And, since there was no retail price differential between common and enriched or fortified flours, a subsidy would have been necessary to encourage millers to produce the wheat-soy flour mix.

To the present time, the Government has not put the mixing regulation into effect, and it is not likely to do so in the near future.

Brazil's wheat is grown primarily in two different climatic regions—the one characterized by extensive rainfall and the other by a warmer, drier climate.

Rio Grande do Sul is Brazil's original wheat producing State and, until 1977, was the country's most important producing area. Increasingly, however, Paraná, Mato Grosso, and São Paulo, located to the north and northwest of Rio Grande do Sul, have grown in importance, largely because of their better weather. Last year, Paraná took over the No. 1 spot.

Although wheat has been grown in Brazil since the country was colonized by the Portuguese in the 16th century, Brazil has yet to develop a high-quality wheat variety that produces well under the country's widely differing climatic conditions. This varietal problem was reflected in the sizable proportion of the 1977 wheat harvest made up of low-quality grain.

The Government and a number of producer groups are involved in the search for better yielding wheat varieties. EMBRAPA, the Brazilian Agricultural Research Enterprise, has allocated $2.4 million to finance the program of its National Wheat Research Center in Passo Fundo. Other research activities are underway at the Cerrados Research Center in Brasília and in the São Francisco River Valley in Minas Gerais. They are seeking to develop varieties especially suited for new wheat producing areas.

Initial tests indicate yields could go as high as 4,000 kilograms per hectare, over four times the current national average. However, such production in the central portion of the country will be costly, since irrigation will be required.

Other studies show it is possible to double crop the new wheat with soybeans, although experience indicates that soybean yields are significantly higher if the beans are not double cropped with wheat.

Wheat producers in Brazil have a guaranteed buyer for their production at a guaranteed price. CTRIN, an agency within the Bank of Brazil, buys the grain at a price developed after a Government study each February of wheat producer prices. Various groups, including the Minimum Price Agency —CFP—producer cooperatives, and state farmer associations all provide estimates to the Government to use in determining the official figure.

For 1978, the guaranteed purchase price is Cr$238.20 per sack of 60 kilograms (equivalent to US$240.17 per ton or $6.54 per bushel). The 1978 price represents a 25 percent increase over the 1977 figure. Some producers are reportedly dissatisfied with the 1977 level, however, feeling that it should have been set as high as Cr$295 per sack.

It is too early to determine the effect the 1978 purchase price will have on wheat production. Farmers in Rio Grande do Sul reduced their planted area last year by 15-20 percent because of dissatisfaction with the 1977 purchase price and further reductions are likely this year. Some farmers may switch to production of other winter grains, others may switch to soybeans, providing the market price is satisfactory.

In Paraná, on the other hand, wheat area is likely to remain the same or to increase slightly. Planters in that State earned what they considered a satisfactory return from their 1977 wheat crop, and the size of their 1978 plantings will be determined by 1978 prices.

Farmers in São Paulo and Mato Grosso may also boost area, and the augmented production will emphasize the northward shift in wheat production.

However, many analysts do not believe the Government's guaranteed purchase price plays the most important role in helping farmers decide whether or not to plant wheat. It is believed farmers are more interested in whether they will be able to harvest the crop once it is in the ground. This is especially true of producers in Rio Grande do Sul, who have suffered unexpected late-season rains in 3 successive years.

To aid farmers in the hardest hit areas, the Government has amended a number of farm financial programs. It has suspended the repayment of production loans and has increased the available line of credit by Cr$450 per hectare. Crop failure insurance under the PROAGRO Program has been raised to cover 80 percent of losses.

Also, for 1978, the Government has boosted the amount of money a wheat farmer may borrow to cover production costs from 60 percent of the minimum wheat price (based on a regional yield average multiplied by the producer price) to 70 percent, an increase equivalent to 46 percent.

These actions could induce more farmers to grow wheat since the monetary risks in producing a crop will be lessened. □

BRAZILIAN CORN IMPORTS TO RISE

The Brazilian corn crop estimate has been reduced to 14.5 million tons from the previous 15.5 million, compared with the record 18.8-million-ton harvest a year ago. Expectations for the crop were first limited by a reduction in plantings because of a low support rate. Subsequently, drought reduced crop prospects as the season progressed.

Brazil consumed an estimated 17.0 million tons of corn in 1977/78 (April-March), mostly for animal feed, and exported about 1.3 million tons. In order to maintain a supply in the domestic market and to moderate prices, the Brazilian Government has authorized corn imports of up to 1.0 million tons. This would be the first year for substantial corn imports by this, the world's third-ranking corn producing country.

Onfarm feeding of corn in Brazil has decreased considerably in response to high prices, and there are indications that operations of the burgeoning mixed feed industry will be dampened. With the domestic supply being stretched and Government concern with minimizing a negative effect on the 1978 trade balance, it is expected that corn imports may fall short of the authorized level. □

Continued from page 3

Colombian Coffee Export Earnings Fall

ings of only 3-11 hectares each. "One reads that Brazil shifted into soybeans in some of its coffee producing areas. You could not do this in Colombia because of the way the coffee grows."

Banana trees are about the only other plantings in coffee areas, and these are used primarily to shade the coffee. "It would not be profitable to shift out of coffee into banana trees on the mountainside," Persi said.

As far as future expansion plans are concerned, Persi sees little chance of farmers putting more land into coffee, especially since prices have begun to come down. "Producers are influenced by prices, and you just can't plant a coffee tree and expect it to produce in 6 months or a year. You wait 3 years before production even starts."

Persi added, however, that the Government feels coffee holds too large a place in the national economy and is attempting to stress other export crops. "It has tried to shift emphasis to what they call minor exports, one of which would be sugar. At one time, sugar occupied second place among agricultural exports, but last year Colombia got into a short position and ended up importing sugar."

Persi expects sugar exports to be resumed in 1978, with shipments totaling about 72,000 tons, and foresees further gains in the future.

Raw cotton was the second largest agricultural export next to coffee last year, but, at $88 million, it accounted for only 6 percent of total export earnings.

Fresh cut flowers represent an expanding nontraditional export, with earnings totaling $35 million last year. More than 85 percent of those exports moved to the United States. Persi sees such shipments rising above $40 million in 1978. (*Foreign Agriculture*, Feb. 27, 1978.)

Another persistent worry in Colombia is the possibility of coffee rust entering the country. This destructive fungus, which leads to defoliation and can eventually kill a coffee tree, spread from Africa to Brazil in 1970 and then to western Nicaragua near Lake Nicaragua in late 1976.

Because its spores can be transmitted thousands of miles by air and water, as well as by people, animals, and vehicles, the appearance of the fungus in Nicaragua immediately raised fears that it would spread throughout Central America and to Colombia as well. Although further infestations in Nicaragua have been limited so far, Colombia has been taking strict measures to guard against entry of the disease. Moreover, Nicaragua used the so-called Colombian plan successfully in its fight against the initial rust outbreak.

In Colombia, "they had stations at the leading airports for burning any vegetative matter that originated in coffee-rust countries," said Persi. "This was publicized in the papers, where we saw pictures of the infected materials being burned—there has been extensive publicity about the dangers of coffee rust entering the country."

He added, however, that "there are many who feel it is just a matter of time until rust slips across the border."

The economic consequence could be severe. Said Persi, "It would destroy part of their coffee production, coffee export earnings would go down, which means their balance of payments would be affected as well. I don't see nontraditional exports such as sugar or cotton compensating for the earnings from coffee, so the foreign exchange losses could be significant."

Coffee rust also hits hardest at smallholders, since they cannot afford to uproot their trees and take the necessary preventative measures, much less plant the rust-resistant varieties that would ward against future outbreaks. Currently, two rust-resistant varieties—hybrids of Caturra and Timor coffee varieties—are available in Colombia. These varieties, developed after 18 years of research and trials, are resistant to all known strains of coffee rust. □

Sweden's Importers, Growers Clash Over Vegetable Imports

Demands by Sweden's farmers and horticultural producers for greater protection against vegetable imports have triggered stiff opposition from Swedish importers, who insist that remedies are unnecessary during temporary price fluctuations and run counter to consumers interest in low prices, according to a report from Norman J. Pettipaw, U.S. Agricultural Attaché, Stockholm.

Citing a "crisis situation" for domestic vegetable producers, the Federation of Swedish Farmers and the National Swedish Association of Horticultural Producers wrote a joint letter to the Ministries of Agriculture and Trade on February 2, 1978, demanding increased import protection.

The letter said Sweden's vegetable production is suffering severe profitability problems because surplus production from Europe and the United States is entering the Swedish fresh produce market and food industry at prices domestic producers cannot match, owing to Sweden's high-cost farm marketing structure.

Because some domestic products have a short storage capability, they must be sold immediately at lower prices in competition with imported commodities, the producers said. The import threat for Sweden's food industry comes mainly from ready made products, such as frozen and canned items.

Sweden's area for production of vegetable and root crops (excluding potatoes and sugar beets) is estimated at 15,000 hectares, of which 11,000 hectares are cultivated under contract for the food industry and 4,000 hectares are used for the fresh produce market. Production is valued at about US$32.6 million, Pettipaw reported.

The producers' letter, claiming dractically reduced profits, demanded that the present Government Commission on Horticulture be directed to study possibilities of border protection for domestic vegetables. One alternative proposed by the producers would be a change in custom duties.

Presently, Sweden's custom duties are fixed—in Swedish kroner per 100 kilograms—for each commodity while the European Community (EC) custom duties are variable. Producers advocated a system similar to that used by EC and at the same

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Competitiveness of U.S. Farm Exports—Questions and Answers

PART II

This is the second in a series of questions and answers on the competitiveness of U.S. agricultural exports in world markets. These questions and answers were entered into the record of the February 23, 1978, hearing of the Senate Subcommittee on International Finance, of the Senate Committee on Banking, Housing, and Urban Affairs.

Q. Are there new markets that offer substantial potential export growth and what is being done to gain a foothold in these markets?

A. Wheat

Eastern Europe, including the USSR. The Foreign Agricultural Service and Great Plains Wheat (GPW) are placing greater emphasis on this area. An increasing share of the time and effort of the GPW staff in the office in Rotterdam is being directed toward servicing this market. A team of Polish Government and grain purchasing and processing experts was brought to the United States in December to deal with a specific marketing problem. Increased Commodity Credit Corporation (CCC) allocations for credit for wheat purchases have been made.

Consultants on wheat quality and milling have visited several countries in the region. Contacts with purchasing officials are being made in an effort to keep them acquainted with U.S. wheat quality and prices. Teams to the United States from the USSR and East Germany are planned this fiscal year.

Africa. Several countries in this area are increasing their wheat purchases. In order to service this market area more adequately, Great Plains Wheat opened an office in November 1977 in Casablanca, Morocco. A U.S. wheat marketing seminar is planned in Casablanca in June, with key government and industry leaders from African and Middle-Eastern countries invited to participate. Technical servicing to the milling and baking industry in the area will be provided through visits by technical consultants. Key decisionmakers from selected countries will be brought to the United States to see the U.S. wheat producing and marketing system.

Latin America. Increased emphasis is being placed on growing markets in this region. In cooperation with a university in Santiago, Chile, an adequately equipped and staffed bakers training school has been established. The school will be used to train bakery workers in Chile and from other South American countries also. Great Plains Wheat is planning to establish a regional office in Chile to service the market area better.

Southeast Asia. These countries are buying increasing amounts of wheat, and Western Wheat Associates through its office in Singapore is expanding its efforts in the area. The staff is being increased, and frequent contacts with key decisionmakers are being made.

A new baking school has been established in Indonesia to train bakers in an attempt to meet the rapidly growing demands for bread and other bakery products.

Bread has been successfully introduced into the school lunch program in Thailand, a country where rice is a traditional staple in the diet. Milling consultants are assisting flour millers in the area in using U.S. wheats. Baking technicians covering several different facets of bakery products are conducting seminars in bakeries in the area.

A team of flour mill and Government officials from Malaysia visited the United States in October, and two cargoes of U.S. wheat were purchased.

Feedgrains

Eastern Europe. This is a grain deficit area that has undertaken ambitious plans to expand livestock and poultry production. Through its cooperator program with the U.S. Feed Grains Council (USFGC), FAS is sponsoring market development activities designed to increase efficiency and output through the introduction of modern technology and the feeding of higher levels of grain.

The most active programs so far have been in Poland. Here, in cooperation with Polish researchers, the Council's consultants have designed and put into operation the first modern feedlot in the country. It will serve as a model for all Eastern Europe.

The Council also has a fish feeding activity in Poland and is initiating sheep feeding activities in Bulgaria and Romania. There are activities for poultry, swine, and dairy feeding, management, and nutrition—all in various stages of planning or implementation.

The market potential for feedgrains in Eastern Europe is enormous. U.S. technology is eagerly accepted and readily adaptable to East European agriculture.

Africa. Nigeria, with its large and rapidly expanding population, is a potential market of great significance. Modern livestock and poultry industries are in their infancy, and there is little technical and managerial expertise present. Market development activity has begun with a port survey to determine what is needed to effect importation of grain in bulk rather than in bags. An earlier study established livestock and poultry benchmarks and indicated the general direction market development activities should take.

Morocco, Algeria, Tunisia, and Libya all appear to be potential markets of moderate size for U.S. feedgrains. An increasing amount of market development activity in this area is seen for fiscal 1978 and subsequent years.

Latin America. This area also appears to have significant market potential for feedgrains. FAS would like to see a USFGC regional office established in Central America and the initiation of market development activities soon thereafter.

Middle East. This is another market area with potential. Poultry industries are being developed and existing sheep industries could be expanded with the introduction of modern feeding and management practices. The Council has begun a series of activities in the area and will expand them in the coming years.

Rice

Nigeria. Following a significant duty reduction, U.S. exports of rice (mostly parboiled) jumped from 16,060 tons in 1975/76 to 130,000 tons in 1976/77 and are continuing at about the same pace (80,769 tons for August/February 1977/78). Largely as a result of this new business, several U.S. rice mills have invested heavily in expansion of their parboiling facilities.

However, as of April, the Government of Nigeria increased the duty on rice to 40 percent as part of a package of broad austerity measures. This has caused great concern in the U.S. rice industry.

The U.S. market development program in Nigeria consists of two relatively small brand-incentive programs carried out in cooperation with two U.S. mills plus trade servicing. This market offers additional growth potential for American rice, providing access is maintained.

Oilseeds and Products

Eastern Europe and the USSR. There is a growing interest in improving local diets by increasing supplies of animal proteins in these countries. Therefore, an increase in livestock numbers is planned, creating a potentially strong market for soybean meal.

FAS and the American Soybean Association (ASA) have attempted to show the value of using soy meal as an efficient and economical livestock feed ingredient. They also have used trade servicing to promote the idea that U.S. soybean producers are ready and able to supply needed assistance in feed and livestock technology.

Another goal has been promoting increased use of soy oil and soy protein for human consumption. To this end, conferences were held in Moscow and Warsaw in early fiscal 1977 to show the value of soy protein products, and the economic benefits from including soybean meal in livestock feeding rations.

U.S. technicians recently held soy protein seminars in four East European nations—Yugoslavia, Romania, Czechoslovakia, and Hungary.

Middle East and North Africa. U.S. exports of soybeans and products passed the $100 million mark for the first time in 1977 in this growing market.

The biggest customers at present—Iran, Egypt, and Morocco—have large populations to feed and are trying to raise the protein level of their diets. These countries, together with other potential consuming countries in the area, are investing in new plant machinery for the processing of soybeans into soybean meal and soybean oil. Investments for meat production, especially poultry, have also grown.

FAS and ASA have tried to acquaint all feed manufacturers and direct users with the value of soybean meal and how to formulate it. For those countries expanding their crushing capacity, FAS and ASA have sent an oil technician to show how to operate the plants efficiently for soybean meal production and for refining of oil suitable for cooking use.

A nutritionist for poultry production and a soy protein nutritionist to formulate foods for school lunch programs and the military are other projects planned. Poultry teams have been brought to the United States to see U.S. integrated poultry operations, as well as nutritionists to observe the manufacture and various end uses of soy protein.

Southeast Asia. Preliminary trade servicing activities were initiated in Hong Kong and the Philippines to promote utilization of soybean meal and soy protein. FAS/ASA are expanding these activities to Singapore, Malaysia, and Thailand. The program emphasis is now on utilizing soybean meal in livestock feeding rations and promoting the use of soy protein in daily diets.

Latin America. The major emphasis in this region has been, as in the Middle East and Eastern Europe, on encouraging the use of soybean meal in livestock feeding rations through feeding demonstrations, seminars, and publication of technical literature. For soybean oil, U.S. technicians have visited these countries to acquaint oilseed crushers with current processing techniques for processing a quality soybean oil. More effort also is being placed on promoting soy protein for human consumption.

Cotton

Portugal is virtually a new market for large quantities of U.S. and other cotton. This country lost its traditional source of supply for about 200,000 bales annually in 1974 when Mozambique and Angola were decolonized. Under FAS market development activities, a trade mission was sent to Portugal in 1976, and Portuguese buyers have regularly been included on Cotton Council International/FAS annual U.S. cotton orientation visits. FAS also conducted a market study in Portugal during early 1977.

U.S. raw cotton exports to Asia increased by nearly 50 percent in 1972-76 in comparison with the previous 5-year average. Currently, about 80 percent of U.S. raw cotton exports are shipped to Asia. The Cotton Council International (CCI) conducts a joint advertising program with third-party cooperators in six Asian countries. U.S. cotton trade and technical missions to Asia and U.S.

cotton orientation visits for Asian cotton buyers are also carried out by the Council.

CCI is currently planning to open a cooperator regional office in the Far East for the purpose of providing trade and technical servicing to the Asian market.

Meat and Livestock Byproducts

Beef, pork, and offal. The greatest potential for market expansion of these products remains in Japan and Western Europe; the limiting factor is market access. Both markets have very restrictive quota and variable duty systems, and efforts to eliminate or minimize these restrictions have been carried out through bilateral and multilaterial trade negotiations (MTN's). The United States is seeking increased hotel, restaurant, and institutional (HRI) quotas in each market and reduced fixed rates of duty.

The U.S. Meat Export Federation, an FAS market development cooperator, established an office in Tokyo, and will soon have a European office in London. Each office is responsible for servicing U.S. exporters and provides support for market development trade exhibits, seminars, and public relations activities. The European office will also initially coordinate such activities for the Middle East and Africa.

A relatively new market for U.S. beef is the Middle East—Iran, Saudi Arabia, Kuwait, and the United Arab Emirates. These "oil rich" countries have greatly expanded beef imports in the past 2 years because of the increasing demand by foreign business travelers, tourists, and the greater affluence of the general public.

Hides and leather. Together with the Tanners Council, FAS has made continuous efforts to develop new opportunities for tanned hides/leather. Severe trade-barrier restrictions in nearly all prospective markets have greatly limited the success. The United States is now trying to eliminate or reduce these trade barriers via the MTN negotiations.

Tallow and other byproducts. Three years ago, FAS and the National Renderers Association launched a concentrated effort to increase export markets for U.S. tallow/greases in new markets. FAS expects to complete in a few months a series of market surveys. These and some studies already completed will be the main basis for taking actions to capitalize on these markets—mainly in Latin America, Africa, the Middle East, and Eastern Europe. Several followup activities have already been taken on the portions of these surveys/studies that have been completed.

USDA also is attempting to ascertain new markets for meat/bone meal, feather meal, and blood meal. The most promising areas discovered to date are in the Far East and Eastern Europe. Followup actions have already been taken in both areas, especially in Eastern Europe.

Poultry Meats and Eggs

Indonesia and the South Pacific islands are new markets with substantial potential export growth for these products. Currently, high import duties are a barrier to developing the Indonesian market to its fullest potential. U.S. exporters are being encouraged to contact Indonesian traders to develop interest in U.S. products—particularly further-processed items for the restaurant, hotel, and institutional trade—with the hope that such development of trade interests could lead to a quota for such products, or a reduction in duty.

Trade shows are scheduled to be held in the South Pacific islands, and U.S. poultry exporters will be encouraged to participate. The rapid growth in hotels throughout the South Pacific island area to service an ever-increasing tourist trade has significantly increased the market potential for U.S. poultry products.

The Poultry and Egg Institute of America (PEIA) is the poultry and egg industries' market development cooperator with FAS. The cooperator has recently included Indonesia and the South Pacific islands in its market development planning. PEIA will coordinate its activities with FAS activities to maximize the development effort.

Fruits and Vegetables

Japan. This market offers substantial potential growth for U.S. horticultural products. However, Japanese import rules and regulations severely restrict U.S. exports of many fruits and vegetables. For example, if Japan were to fully drop restraints on fresh oranges and orange juice, it would become the largest foreign market for these products.

Several relatively new items also have potential in Japan—for example, avocados, papayas, and cranberry products. In order to obtain a foothold in this market, FAS is providing funds for market promotion activities for a number of horticultural items, including these three products. In the case of fresh and processed citrus, FAS is continuing to work through the MTN in Geneva and separate bilateral negotiations to increase U.S. access to this market.

Middle East countries. A substantial market potential exists for exporting U.S. horticultural products to this area. It would appear that canned goods show particular promise—especially juices and selected fresh fruits and vegetables such as citrus, apples, grapes, strawberries, and cherries. FAS currently is working to identify other items showing potential for export. FAS-sponsored food exhibits and trade teams are two important activities through which more can be learned about this area. As an indication of trade interest, FAS recently has serviced more requests than in the past for information on rules and regulations with regard to business operations in this area, as well as specific commodity information.

The Northwest Horticultural Council in conjunction with FAS is currently studying possibilities for market development in the Middle East.

Taiwan. In recent months Taiwan has demonstrated willingness to increase imports of horticultural products from the United States. U.S. bilateral negotiations with Taiwan have resulted in agreements to purchase a minimum of $4 million of U.S. fresh oranges, lemons, and apples, and $400,000 of U.S. wines. They have also agreed to a reduction in the tariff rate for fresh citrus.

FAS also is working to reduce other excess tariffs such as those applied to raisins. Where appropriate, the sale of these items will be supported by coordinated FAS/industry promotional activities.

Discussions between the United States and Taiwan concerning the bid/auction import system for apples will continue. This system works against any significant in-

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Sweden . . .

levels. This would mean percentage-value custom tariffs, including a minimum fee, that would be continuously adjusted for changes in currency rates. The revised tariffs also should apply to imports of frozen and canned vegetables, the producers said.

The letter urged quick action on the import-protection proposal so the Swedish Parliament can resolve the issue before the end of 1978. It also pointed out that if any of the proposals influence bindings under the General Agreement on Tariffs and Trade, these proposals should be included in current GATT negotiations.

The producers' letter caused immediate concern among importers. The Swedish Fruit and Vegetable Distributors' Association, whose members handle 95 percent of Sweden's fruit and vegetable imports, responded with a letter to the Ministries of Agriculture and Trade on February 15, saying that occasional sale or price difficulties for a few fruit, vegetable, or flower products do not justify screening imports from the Swedish market.

The conditions of reduced crops and high prices that prevailed in 1975 and 1976 may not be repeated in the future, the importers said, and cannot be the basis for a judgment of domestic profitability.

Arguing that the price per kilogram is not the best measure of profits, the importers said economic returns from a given area are much more important and must be studied over a period of years.

The importers pointed out that basic agricultural products, such as grains, dairy products, and meat, already have very high protection against international competition via a system of variable levies and, as a result, they tend to increase in price faster than other goods.

Because of Sweden's climatic conditions, imports of fruits, vegetables, and flowers exceed domestic output, the letter said. If Sweden introduced a protectionist horticultural policy, it would lead to substantial price increases, stemming from lack of competition. □

Continued from page 6

Carib-USA . . .

- Labeling restrictions on products are nonexistent and import restrictions on products are very few, if any (unlike Japan and Europe, where entry into market is extremely difficult); and
- It gives new-to-export firms a chance to get their feet wet in the export market before moving on to more restrictive export markets.

Daily attendance at the Carib-USA show averaged about 3,500 people, many of whom were from chain food stores or were executives, purchasing agents, dieticians, and distributors engaged in the food industry.

Buyers at the Carib-USA Food Exhibit included not only people and firms from Puerto Rico, but also from other Caribbean islands.

These buyers represented import-export firms and included two large supermarket chains that were also exhibiting at the show. These two supermarket chains do some $200 million worth of business in Puerto Rico and St. Thomas.

U.S. participants in the show were mostly from the eastern and southern United States, but some State exhibitors were brought in by the Mid-America International Agri-Trade Council—MIATCO—and by the Old West Regional Commission (representing Montana, Wyoming, Nebraska, North Dakota, and South Dakota). Some independent exhibitors also bolstered the number of States in the show.

Among the many items that buyers sampled during the show were (with representing States in parentheses): Canned vegetables and soups (Illinois, New York, and Arizona), frozen and chilled poultry (Virginia and New York), meat and meat products (New York, Wisconsin, Montana, Wyoming, Louisiana, Virginia, and Massachusetts), and shell eggs (Florida and Massachusetts).

In addition to sales of products actually displayed at Carib-USA, many marketing directors from such States as Louisiana, Montana, Virginia, and New York, felt that the show gave them an opportunity to talk with food industry buyers interested in other products from their States. □

Germany's Apple, Vegetable Supplies Up Sharply in 1977

West Germany's vegetable production rose 22 percent in 1977, compared with the drought-stricken 1976 output, to 1.2 million metric tons and the country's supply of stored apples advanced 15 percent last year.

The combination of a 5 percent expansion in planted area of vegetables and an almost 18 percent increase in yields accounted for the enlarged production.

The country's vegetable production under glass gained 1 percent from the year-earlier output as area increased 1,389 hectares—up 5 percent from that of 1976 and 18 percent above the previous 5-year average.

West German apples in storage on February 1, 1978, totaled 85.9 million tons, up sharply from the same date in 1976. By varieties, Golden Delicious accounted for 46 percent of this total, Boskop 15 percent, Glockenapfel and Ingrid Marie 11 percent each, and Cox Orange 6 percent of the total supply. □

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Questions and Answers

crease in sales volume by inflating retail prices in Taiwan.

India. Discriminatory practices in India in issuance of import licenses and "preferences" with Afghanistan and Iran resulted in nearly all of the almond imports originating in Iran and Afghanistan in recent years. However, after several years' efforts by the U.S. almond industry and FAS, the Government of India announced in March 1977 the liberalization of imports of dried fruits, including almonds. This allowed importers to obtain import licenses, but India's requirements that individual licenses be limited to 10,000 rupees and be shipped independently prevented efficient shipment of containersized orders.

In spite of this limitation, shipments to India totaled 897,075 pounds valued at $1.3 million for July-December, compared with 33,375 pounds for the same period in 1976.

In late December 1977, India further liberalized the importation of dried fruits, including almonds, by increasing the import license value limit from 10,000 to 50,000 rupees, effective through the end of the Indian fiscal year 1978, which ended March 31, 1978). This stimulated almond exports by decreasing paperwork as well as enlarging individual orders.

Seeds

In cooperation with the American Seed Trade Association, FAS has mounted a very aggressive market development program which has been expanding as fast as the Seed Trade Association has found feasible. The program includes foreign market studies, surveys, and representations with both governmental and nongovernmental contacts. FAS maintains active contact with all appropriate regional and international organizations concerned with seeds. It sponsors visits to the United States of appropriate traders, as well as government officials, in foreign countries concerned with the purchase and importation of seeds to acquaint them with the high quality of U.S. seeds and their availability for export.

Processed Food Items

Two obstacles severely limit the market potential of processed items:

- Foreign marketing systems not yet sophisticated enough to absorb the products;
- The desire of many nations to develop their own processed food industry rather than import.

Despite these hurdles, FAS's ongoing market promotion activities include programs designed to locate new markets and to assist firms in exploiting all opportunities. Activities embraced in these efforts include market surveys, sales teams, and new product testing. □

CANADA'S CATTLE NUMBERS DECLINE

Canada's cattle inventory declined 6 percent during 1977 to 12.9 million head, reflecting unusually heavy slaughtering of beef cows and heifers, according to a report from the office of the U.S. Agricultural Attaché, Ottawa.

Breeding herd numbers are expected to stabilize during 1978 and enter a rebuilding phase. As a result, the larger numbers of heifers retained for breeding and the decline in cow slaughtering are expected to lower this year's beef output from the 1977 level.

Although female marketings are expected to decline in 1978, it will be some time—probably mid-1979—before the cow herd can register significant growth, particularly in view of the 13 percent decline in heifer numbers during 1977.

Also, the lower cow inventary indicates a reduced 1978 calf crop, which will not only limit expansion of the breeding herd in 1978 and 1979 but also can be expected to limit fed cattle supplies well into 1979.

The smaller steer inventory (down 10 percent as of January 1, 1978, from the year-earlier total to 1.5 million head) will reduce marketings this year. □